

August 23, 2006

Ms. Karen Rhinehart
Office of State Budget
1201 Main Street, Suite 870
Columbia, South Carolina 29201

RE: Fiscal Year 2007 - 2008 Budget Plan

Dear Ms. Rhinehart:

Please find enclosed ten printed copies of the State Ethics Commission's Fiscal Year 2007-2008 Budget Plan. The plan has also been submitted to you by e-mail at krhinehart@budget.sc.gov.

The State Ethics Commission would like to continue Provisos 65.1, 65.2, 65.3, and 65.4 as written.

If you have any questions or need additional information, please feel free to contact me.

Sincerely,

Herbert R. Hayden, Jr.
Executive Director

HRHjr:arf

Enclosures: Ten Printed Copies

FISCAL YEAR 2007-08 BUDGET PLAN

I. EXECUTIVE SUMMARY

A. Agency Section/Code/Name: **Section 65/Code R52/State Ethics Commission**

B. Statewide Mission: The State Ethics Commission is an agency of state government responsible for the enforcement of the Ethics Reform Act of 1991 to restore public trust in government. The Commission carries out this mandate by conducting criminal and administrative investigations of violations of the state's ethics laws; prosecuting violators through the Attorney General's Office and circuit solicitors; ensuring compliance with the state's laws on financial disclosure, lobbyist/lobbyist's principal disclosure and campaign disclosure, and prosecuting those not in compliance; regulating lobbyists and lobbying organizations; issuing advisory opinions interpreting the statute; and educating public officeholders and the public on the requirements of the state's ethics laws.

C. Summary Description of Strategic or Long-Term Goals:

Electronic Filing - A continued key strategic goal is the implementation of an electronic filing system of all documents received by the Commission. Electronic filing will allow for timelier filing and reduce incomplete filings thus reduce repetitive auditing of forms by staff. Electronic filing will provide almost immediate access to information to all Commission customers. In accordance with Section 8-13-365, the Commission must establish a system of electronic filing for all disclosures and reports required pursuant to Article 13 of Chapter 13 of Title 8 from all candidates and entities subject to its jurisdiction. Pursuant to Act 76 of 2003, the Commission was mandated to have the electronic filing system fully implemented no later than January 2006. The State Ethics Commission has a Phase I in place for statewide candidates. The Commission is in the process of implementing Phase II which can be used by all candidates with an estimated implementation date of January 2007. Funding for system maintenance and software upgrades was provided in 2005 fiscal year budget but not in fiscal year 2006.

D.

[illegible]

Summary of Operating Budget Priorities for FY 2007-08:		FUNDING					FTEs			
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Priority No.: 2	Title: Electronic Filing System	0	\$18,000	0	0	\$18,000	0	0	0	0.00
Strategic Goal No. Referenced in Item C Above (if applicable): 2 Activity Number & Name: 1423 Campaign Finance										
Priority No.: 3	Title: Agency Head	0	\$3,287	0	0	\$3,287	0	0	0	0.00
Strategic Goal No. Referenced in Item C Above (if applicable): 3 Activity Number & Name: 1426 Administration										
TOTAL OF ALL PRIORITIES		\$ 0	\$101,287	\$ 0	\$ 0	\$101,287	0.00	0.00	0.00	0.00

E. Agency Recurring Base Appropriation:

State **\$472,824**
Federal **\$0**
Other **\$225,512**

- F. Efficiency Measures: **The Commission, in collaboration with SCI, had a phase one electronic filing system in place by the January 2006 quarterly filing deadline for all statewide candidates. This abbreviated system has been a tremendous tool in the efficient disclosure of information to the public. Staff continues to work with SCI on a full-blown electronic filing system for all disclosure documents presently filed with the Commission, as well as the legislative Ethics Committees. The Commission's web-site continues to be the sole source of all forms and much other information. Staff began a major re-vamp of the web-site with SCI in FY06 with hopes of having a completely new and more user-friendly web-site in FY2007.**

G.

Summary of Capital Budget Priorities:			Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Priority No.:	Project Name: Activity Number & Name:	Project No*:	0	0	0	\$ 0

Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
TOTAL OF ALL CAPITAL BUDGET PRIORITIES			\$ 0	\$ 0	\$ 0	\$ 0

* If applicable

H. Number of Proviso Changes: **0**

I. Signature/Agency Contacts/Telephone Numbers:

Herbert R. Hayden, Jr.
Executive Director
803-253-4192

Cathy L. Hazelwood
Assistant Director
803-253-4192

II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name: **Section 65/Code R52/State Ethics Commission**

B. Priority No. **1 of 3**

C. (1) Title: **Administration**

(2) Summary Description: **Recover salary funding lost during past budget cuts.**

(3) Strategic Goal/Action Plan (*if applicable*):

D. Budget Program Number and Name: **Agency Wide**

E. Agency Activity Number and Name: **1426 Administration**

F. Detailed Justification for Funding

(1) Justification for Funding Increase: **Since FY02, the State Ethics Commission has received numerous across the board budget cuts, and some of these cuts have been absorbed from classified salaries money. The State Ethics Commission has made up the difference by using money that the agency generates during the fiscal year or carries forward from the previous fiscal year; however, this money is not guaranteed on a yearly basis. These funds are not guaranteed and therefore the Commission can not be assured that there will be sufficient funds to last the entire fiscal year. Also, once the mandated Electronic Filing System goes into effect, this will considerably reduce the Commissions generated revenue.**

(2)

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*					0.00
(b) Personal Service		\$80,000			\$80,000

(c) Employer Contributions					\$ 0
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses					\$ 0
Total	\$ 0	\$80,000	\$ 0	\$ 0	\$80,000
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State **\$472,824**
Federal **\$0**
Other **\$225,512**

(4) Is this priority associated with a Capital Budget Priority? NO If yes, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(1) Justification for New FTEs

(a) Justification:

(b) Future Impact on Operating Expenses or Facility Requirements:

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Personal Service					\$ 0
(c) Employer Contributions					\$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					

(a) Number of FTEs					0.00
(b) Personal Service					\$ 0
(c) Employer Contributions					\$ 0

(3) FTEs in Program Area per FY 2006-07 Appropriation Act:

State **10**
Federal _____
Other _____

Agency-wide Vacant FTEs as of July 31, 2006: **0**

% Vacant **0** %

H. Other Comments:

II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name: **Section 65/Code R52/State Ethics Commission**

B. Priority No. 2 of 3

C. (1) Title: **Electronic Filing System**

(2) Summary Description: **Implement and maintain a mandated electronic filing system to allow statewide filing and access of all forms and statements filed with the Commission.**

(3) Strategic Goal/Action Plan (*if applicable*): **A continued key strategic goal is the implementation of an electronic filing system of all documents received by the Commission. Electronic filing will allow for timelier filing. It will reduce incomplete filings and thus reduce repetitive auditing of forms by staff. Electronic filing will provide almost immediate access to information to all Commission customers. In accordance with Section 8-13-365, the Commission must establish a system of electronic filing for all disclosures and reports required pursuant to Article 13 of Chapter 13 of Title 8 from all candidates and entities subject to its jurisdiction. In 2003 it was mandated that the Commission must have an electronic filing system.**

D. Budget Program Number and Name: **Agency Wide**

E. Agency Activity Number and Name: **1423 Campaign Finance**

F. Detailed Justification for Funding

(1) Justification for Funding Increase: **The State Ethics Commission is a major repository of public documents, receiving approximately 20,000 forms annually, and statutorily required to maintain copies for a minimum of four years. The statute mandates that the Commission make these documents available for public inspection within two days of receipt. This system would provide for online filing of Statement of Economic Interests Forms for public officials and public employees, Statement of Organization forms for committees, Campaign Disclosure Reports for candidates and committees, and registration and disclosure forms for Lobbyists and Lobbyists' Principals. It would further provide immediate online access for the public, thereby fulfilling the two day mandate. The nation is quickly moving toward the complete and immediate online disclosure of government information. The full and swift disclosure of who is contributing and how the money is spent is good for the State, because it ensures public confidence in the political process. It also simplifies the audit process; eliminates error, thereby reducing personnel time and costs returning incomplete forms; and reduces personnel time and costs researching and copying documents for public requests.**

(2)

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*					0.00
(b) Personal Service					
(c) Employer Contributions					\$ 0
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses		\$18,000			\$18,000
Total	\$ 0	\$18,000	\$ 0	\$ 0	\$18,000
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State	\$472,824
Federal	\$0
Other	\$225,512

(4) Is this priority associated with a Capital Budget Priority? NO If yes, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(2) Justification for New FTEs

(a) Justification:

(b) Future Impact on Operating Expenses or Facility Requirements:

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Personal Service					\$ 0
(c) Employer Contributions					\$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Personal Service					\$ 0
(c) Employer Contributions					\$ 0

(3) FTEs in Program Area per FY 2006-07 Appropriation Act:

State 10
Federal _____
Other _____

Agency-wide Vacant FTEs as of July 31, 2006: 0
% Vacant 0 %

H. Other Comments: **The \$18,000 requested is approximate maintenance costs to maintain the electronic filing system such as CIO support, upgrading hardware and upgrading software.**

II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

- A. Agency Section/Code/Name: **Section 65/Code R52/State Ethics Commission**
- B. Priority No. **3 of 3**
- C. (1) Title: **Agency Head**
- (2) Summary Description: **In FY06 the agency head was approved a five percent salary increase by the Agency Head Salary Commission above the annual across the board increase.**
- (3) Strategic Goal/Action Plan *(if applicable)*:
- D. Budget Program Number and Name: **Agency Wide**
- E. Agency Activity Number and Name: **1426 Administration**
- F. Detailed Justification for Funding
- (1) Justification for Funding Increase: **The increase was approved by the Agency Head Salary Commission and the Budget & Control Board but no funds were provided.**
- (2)

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*					0.00
(b) Personal Service		\$3,287			\$3,287
(c) Employer Contributions					\$ 0
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0

Other Operating Expenses					\$ 0
Total	\$ 0	\$3,287	\$ 0	\$ 0	\$3,287

** If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.*

(3) Base Appropriation:

State **\$472,824**
Federal **\$0**
Other **\$225,512**

(4) Is this priority associated with a Capital Budget Priority? **NO** If yes, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(3) Justification for New FTEs

(a) Justification:

(b) Future Impact on Operating Expenses or Facility Requirements:

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Personal Service					\$ 0
(c) Employer Contributions					\$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Personal Service					\$ 0
(c) Employer Contributions					\$ 0

(3) FTEs in Program Area per FY 2006-07 Appropriation Act:

State 10
Federal _____
Other _____

Agency-wide Vacant FTEs as of July 31, 2006: 0

% Vacant 0 %

H. Other Comments: **If the funds requested are not appropriated, the agency head's salary will be funded using money that the Commission generates which is not guaranteed money each year.**

III. DETAILED JUSTIFICATION FOR CAPITAL BUDGET PRIORITIES

- A. Agency Section/Code/Name:
- B. Priority No. ____ of ____
- C. Strategic Goal/Action Plan *(if applicable)*:
- D. Project Name and Number *(if applicable)*:
- E. Agency Activity Number and Name:
- F. Description of Priority:
- G. Detailed Justification for Funding

(1) Justification for Funding Priority:

(2)

Total Project Cost Estimates:	Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Total Project Cost*				\$ 0

** If additional annual operating costs from any source of funding are anticipated upon project completion please complete Sections H and I (Justification for Additional Future Annual Operating Costs) below.*

H. Justification for First Year Additional Future Annual Operating Costs:

(1) Will additional annual operating costs be absorbed into your existing budget? _____

If not, will additional state funds be needed in the future? _____

If state funds will not be needed in the future, explain the source(s) that will be used. _____

(2) First Fiscal Year Additional Annual Operating Costs Are Anticipated: _____ Will this fiscal year require a partial or full year's operating funds? _____ If a partial year's funds are required, what portion of the year does it cover? _____

(3)

Additional Annual Operating Cost Details:	State Non-Recurring	State Recurring	Federal	Other	Total
Total Costs:					
(a) Number of FTEs					0.00
(b) Total Personnel Costs					\$ 0
(c) Furniture/Equipment					\$ 0
(d) Other Operating Costs					\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

I. Justification for First Full Year Additional Future Annual Operating Costs *(If Section H above represents a full year's operating funds, do not complete this section.)*

- (1) Will additional annual operating costs be absorbed into your existing budget? _____
 If not, will additional state funds be needed in the future? _____
 If state funds will not be needed in the future, explain the source(s) that will be used. _____

- (2) First Full Fiscal Year Additional Annual Operating Costs Are Anticipated: _____

(3)

Additional Annual Operating Cost Details:	State Non-Recurring	State Recurring	Federal	Other	Total
Total Costs:					
(a) Number of FTEs					0.00
(b) Total Personnel Costs					\$ 0
(c) Furniture/Equipment					\$ 0
(d) Other Operating Costs					\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

J. Other Comments:

FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

I. 2% COST SAVINGS ASSESSMENT

A. Agency Section/Code/Name: **Section 65/Code R52/State Ethics Commission**

B. Agency Activity Number and Name: **1426 Administration**

C. Explanation of Cost Savings Initiative: **If the State Ethics Commission was required to fund a 2% reduction, this would be funded through postage, travel and training.**

D. Estimate of Savings:

FY 2007-08 Cost Savings Estimates:	General	Federal	Other	Total
Personnel:				
(a) Number of FTEs				0.00
(b) Personal Service				\$ 0
(c) Employer Contributions				\$ 0
Program/Case Services				\$ 0
Pass-Through Funds				\$ 0
Other Operating Expenses	\$9,456			\$9,456
Total	\$9,456	\$ 0	\$ 0	\$9,456

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): **The impact of a reduction of postage would have a tremendous impact on the State Ethics Commission customers. The Commission mails reminder postcards for all deadlines which require the filing of a form. The postcards serve as a reminder to the customers. If the customers do not receive a reminder card, late filings of forms will be increased requiring more staff time to enforce the filing requirements.**

The State Ethics Commission would be forced to reduce its travel costs thus reducing the time the investigators can spend working on complaints filed with the Commission.

The State Ethics Commission would also reduce its training costs thus jeopardizing the Commission's ability to remain current with new technology.

F.

Summary of Cost Savings Initiatives for FY 2007-08:	FUNDING				FTEs			
	General	Federal	Other	Total	State	Fed.	Other	Total
Initiative Title: Administration	\$9,456	0	0	\$9,456	0	0	0	0.00
Activity Number & Name: 1426 Administration								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
TOTAL OF ALL INITIATIVES	\$9,456	\$ 0	\$ 0	\$9,456	0.00	0.00	0.00	0.00

FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF AGENCY ACTIVITIES

- A. Agency Section/Code/Name: **Section 65/Code R52/State Ethics Commission**
- B. Agency Activity Number and Name: **1425 Enforcement**
- C. Explanation of Lowest Priority Status: **All activities are mandated by statute.**
- D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	\$3,976	0	0	0	0	\$3,976
Total	\$3,976	\$ 0	\$ 0	\$ 0	\$ 0	\$3,976

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*): **Since all activities are mandated by statute, reducing the enforcement of violations would have a tremendous impact on customers and the agency. The customers and staff would be impacted by the failure of the Commission's ability to enforce the State Ethics Act as it is mandated.**

F.

Summary of Priority Assessment of Activities	General	Federal	Supplemental	Capital Reserve	Other	Total	FTEs
Activity Number & Name: 1425 Enforcement	\$3,976	0	0	0	0	\$3,976	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
TOTAL OF LOWEST PRIORITIES	\$3,976	\$ 0	\$ 0	\$ 0	\$ 0	\$3,976	0.00